



A business of Morgan Stanley

Performance and Asset Allocation Review 1st Quarter 2015

Macomb Township ACT 345 Retirement System

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First Quarter 2015 Review

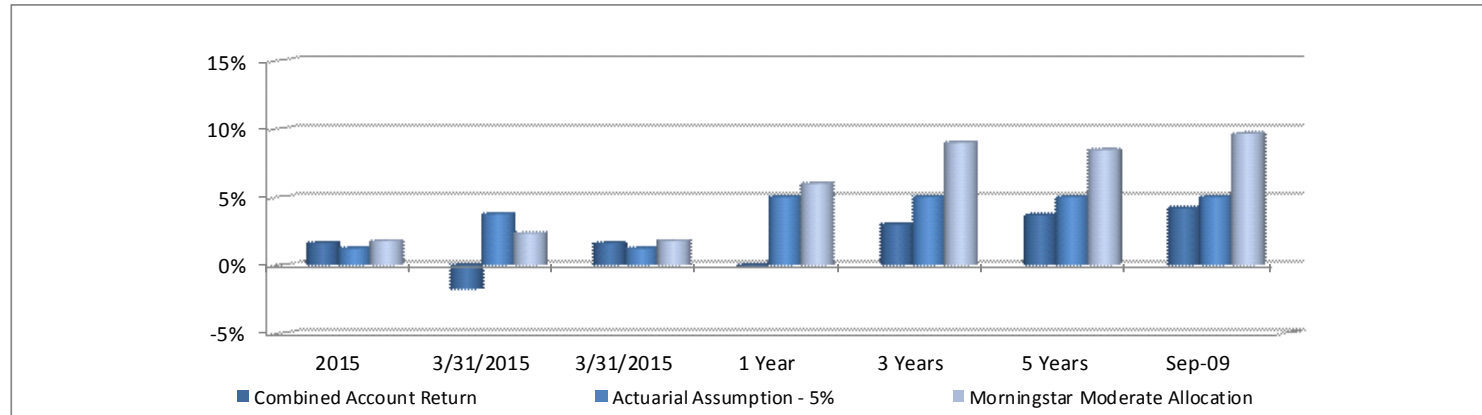
- ❖ January declines in equity markets were followed by strong a February and volatile March.
- ❖ Counter to full-year 2014, a number of last year's weakest geographies outperformed U.S. Large Cap equities in Q1:
 - U.S. Large Cap Equities (SP500 +1%) were generally flat
 - Small & Mid Cap (MSCI) in the U.S. led, +4.4%.
 - MSCI U.S. Growth stocks were +4.1%, while Value declined with -1.4% performance.
- ❖ U.S. Dollar strength in Q1 overshadowed significant equity performance in many non-U.S. markets.
 - Overall, the MSCI All Country World Index was +2.4% in the quarter in U.S. Dollar terms, compared to +5% in local currencies.
 - Differences were most pronounced in European markets that were up 11.7% locally vs. 3.6% for a U.S.-based investor (MSCI Europe), and to a lesser extent in Emerging Markets, +4.9% locally vs. 2.4% for U.S. investors (MSCI EM).
- ❖ Bonds in the U.S. were generally higher across the board owing to further rate declines.
- ❖ Non-U.S. bonds were generally positive in local currencies, however were anywhere from negative to slightly positive for U.S.-based investors due to currency effect.
- ❖ Bond yields remain historically low, having dropped further in the U.S. this past quarter as well as in European markets.
 - U.S. 10 and 30-year ended March with 1.9% and 2.5% yields, respectively.
 - German 10 and 30-year Bunds offered 0.17% and 0.61%, respectively. And, German 2 and 5 year yields ended March with negative yields (-0.25% 2-year).
- ❖ Markets have been primarily fixated on potential Federal Reserve action as a backdrop to market-related news, at times reacting with *bad news is good* when weaker data suggest the Fed may hold off longer.



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Performance Overview

Total Fund Performance

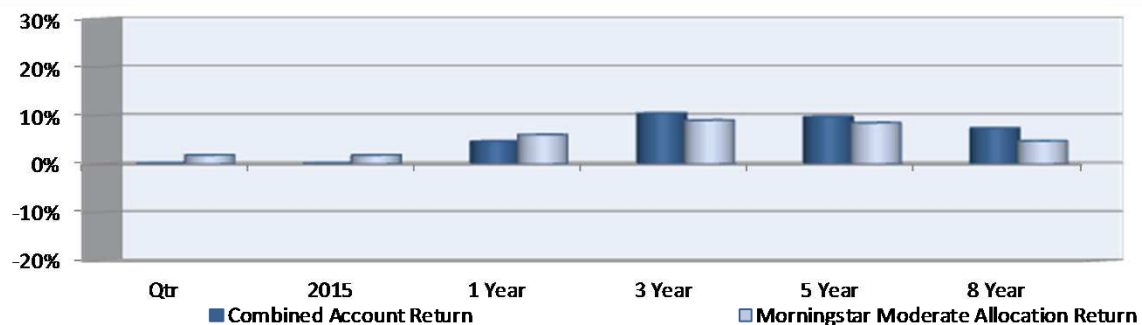


Annualized through 3/31/15

	1st Qtr	FYTD	YTD	Trailing	Trailing	Trailing	Since
	2015	3/31/2015	3/31/2015	1 Year	3 Years	5 Years	Inception
Investment Returns (%)							
Combined Account Return	1.64%	-1.79%	1.64%	-0.10%	3.00%	3.69%	4.20%
Actuarial Assumption - 5%	1.23%	3.74%	1.23%	5.00%	5.00%	5.00%	5.00%
Morningstar Moderate Allocation	1.80%	2.34%	1.80%	5.98%	8.98%	8.45%	9.65%

	1st Qtr	YTD
	2015	3/31/2015
Beginning Market Value	\$2,244,194	\$2,244,194
Contributions/Withdrawals	-\$1,250	-\$1,250
Net Invested Capital	\$2,242,944	\$2,242,944
Gain/Loss	\$36,746	\$36,746
Ending Market Value	\$2,279,690	\$2,279,690

FPA Crescent



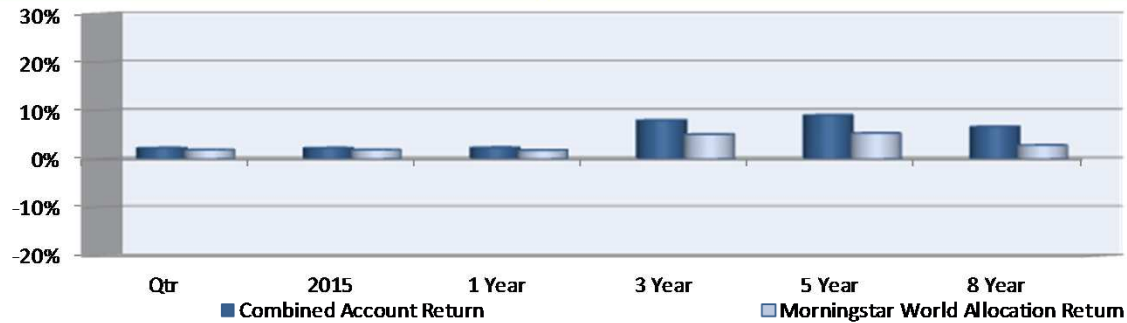
Investment Returns		<u>Latest Qtr</u>	<u>YTD 2015</u>	<u>Trailing 1 Year</u>	<u>Trailing 3 Year</u>	<u>Trailing 5 Year</u>	<u>Trailing 8 Year</u>	<u>Trailing 10 Year</u>
Total Account	Combined Account Return	0.15%	0.15%	4.67%	10.45%	9.73%	7.38%	8.17%
	Account Rank	97	97	80	29	30	7	7
	Morningstar Moderate Allocation Return	1.80%	1.80%	5.98%	8.98%	8.45%	4.72%	5.71%
	Morningstar Moderate Allocation Rank	54	54	61	63	67	73	73

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calendar Years	FPA Crescent	-20.55%	28.37%	12.04%	3.02%	10.33%	21.95%	6.64%
	Morningstar Moderate Allocation	-28.19%	24.04%	11.73%	-0.40%	11.85%	16.10%	5.83%

8 Year Fund Statistics	Fund Standard Deviation	10.31%
	Benchmark Standard Deviation	11.34%
	Fund Sharpe Ratio	0.65
	Benchmark Sharpe Ratio	0.35

8 Year Fund Statistics	Up Capture	104.69%
	Down Capture	76.75%
	Expense Ratio	1.15
	Ticker Symbol	FPACX

First Eagle Global A



Investment Returns		<u>Latest Qtr</u>	<u>YTD 2015</u>	<u>Trailing 1 Year</u>	<u>Trailing 3 Year</u>	<u>Trailing 5 Year</u>	<u>Trailing 8 Year</u>	<u>Trailing 10 Year</u>
Total Account	Combined Account Return	2.25%	2.25%	2.33%	7.97%	9.01%	6.63%	8.73%
	Account Rank	47	47	52	32	6	11	10
	Morningstar World Allocation Return	1.86%	1.86%	1.77%	5.03%	5.28%	2.79%	4.70%
	Morningstar World Allocation Rank	57	57	60	73	91	85	84

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calendar Years	First Eagle Global A	-21.06%	22.91%	17.58%	-0.19%	12.46%	15.49%	2.94%
	Morningstar World Allocation	-30.26%	24.20%	10.95%	-3.67%	10.18%	8.46%	1.50%

8 Year Fund Statistics	Fund Standard Deviation	12.44%
	Benchmark Standard Deviation	12.95%
	Fund Sharpe Ratio	0.48
	Benchmark Sharpe Ratio	0.16

8 Year Fund Statistics	Up Capture	112.76%
	Down Capture	88.61%
	Expense Ratio	1.11
	Ticker Symbol	SGENX

Ivy Asset Strategy A



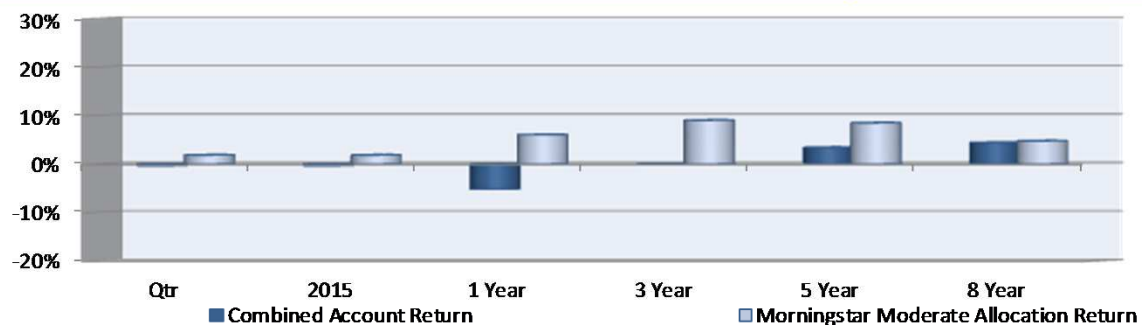
Investment Returns		<u>Latest Qtr</u>	<u>YTD 2015</u>	<u>Trailing 1 Year</u>	<u>Trailing 3 Year</u>	<u>Trailing 5 Year</u>	<u>Trailing 8 Year</u>	<u>Trailing 10 Year</u>
Total Account	Combined Account Return	1.57%	1.57%	-2.28%	7.79%	7.58%	7.75%	10.41%
	Account Rank	59	59	89	35	33	2	2
	Morningstar World Allocation Return	1.86%	1.86%	1.77%	5.03%	5.28%	2.79%	4.70%
	Morningstar World Allocation Rank	55	55	59	75	85	81	74

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calendar Years	Ivy Asset Strategy A	-25.90%	23.81%	9.77%	-7.68%	19.33%	24.32%	-5.02%
	Morningstar World Allocation	-30.26%	24.20%	10.95%	-3.67%	10.18%	8.46%	1.50%

8 Year Fund Statistics	Fund Standard Deviation	15.09%
	Benchmark Standard Deviation	11.94%
	Fund Sharpe Ratio	0.47
	Benchmark Sharpe Ratio	0.17

8 Year Fund Statistics	Up Capture	145.14%
	Down Capture	98.81%
	Expense Ratio	0.96
	Ticker Symbol	WASAX

PIMCO All Asset All Authority A



Investment Returns		Latest Qtr	YTD 2015	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Trailing 8 Year	Trailing 10 Year
Total Account	Combined Account Return	-0.43%	-0.43%	-5.26%	-0.03%	3.39%	4.38%	4.76%
	Account Rank	99	99	99	100	99	81	93
	Morningstar Moderate Allocation Return	1.80%	1.80%	5.98%	8.98%	8.45%	4.72%	5.71%
	Morningstar Moderate Allocation Rank	54	54	61	63	67	73	73

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calendar Years	PIMCO All Asset All Authority A	-7.54%	18.65%	9.94%	2.56%	17.14%	-5.96%	-2.72%
	Morningstar Moderate Allocation	-28.19%	24.04%	11.73%	-0.40%	11.85%	16.10%	5.83%

8 Year Fund Statistics	Fund Standard Deviation	9.85%
	Benchmark Standard Deviation	11.34%
	Fund Sharpe Ratio	0.41
	Benchmark Sharpe Ratio	0.33

8 Year Fund Statistics	Up Capture	55.58%
	Down Capture	48.52%
	Expense Ratio	1.68
	Ticker Symbol	PAUAX

Mutual Fund Fee Schedule – 1st Quarter 2015

<u>Allocation %</u> <u>As of 03/31/15</u>	<u>Mutual Fund</u>	<u>\$ Value</u>	<u>Expense Ratio</u>	<u>Quarterly Amount Paid</u>
24.88%	PIMCO All Asset All Authority	\$567,139	1.68%	\$2,381.98
25.08%	First Eagle Global	\$571,836	1.11%	\$1,586.84
24.62%	Ivy Asset Strategy	\$561,188	0.96%	\$1,346.85
25.09%	FPA Crescent	\$572,019	1.23%	\$1,758.96
0.33%	Cash	\$7,508	0.00%	\$0.00
100%				
Average Weighted Expense Ratio		\$2,279,690		\$7,074.64

The above expenses are estimated based on the dollar values at the end of the period and should be treated as approximations only

Graystone Quarterly Consulting Fee of \$1,250 or \$5,000 annually

Target Asset Allocation: As of 5/31/2015

				% Allocation	\$ Allocation	\$ Allocation	
<u>Asset Class/Style</u>	<u>Mutual Fund</u>	<u>Target</u>	<u>Range</u>	<u>5/31/2015</u>	<u>5/31/2015</u>	<u>Target</u>	<u>Difference</u>
Asset Allocation	PIMCO All Asset All Authority	25.0%	23-27%	24.8%	\$575,259	\$578,806	\$3,547
Balanced	FPA Crescent	25.0%	23-27%	25.1%	\$580,145	\$578,806	-\$1,340
Balanced	First Eagle Global	25.0%	23-27%	25.1%	\$581,967	\$578,806	-\$3,162
Balanced	IVY Asset	25.0%	23-27%	24.7%	\$571,593	\$578,806	\$7,213
Cash	Cash	0.0%	0.0%	0.3%	\$6,258	\$0	-\$6,258
Total		100%		100%	\$2,315,222	\$2,315,222	

April 2015 Return	
03/31/15 Value	\$2,279,690
Contrib/Withdraw	-\$1,250
Net Invested Capital	\$2,278,440
Gain/Loss	\$40,702
04/30/15 Value	\$2,319,142
April 2015 Return	1.79%
YTD 2015 Return	3.46%

May 2015 Return	
04/30/15 Value	\$2,319,142
Contrib/Withdraw	\$0
Net Invested Capital	\$2,319,142
Gain/Loss	-\$3,920
5/31/15 Value	\$2,315,222
May 2015 Return	-0.17%
YTD 2015 Return	3.28%

We certify that all of the investments held at Fifth Third (as custodian) on behalf of Macomb Township Act 345 Retirement System comply with Public Act 314.

Comments & Recommendations

Commentary

- Since 9/2009, the portfolio has achieved an annualized return of 4.2% versus the benchmark (Morningstar Moderate Allocation Index) return of 9.6% and the 5% actuarial assumption
- We are comfortable with the structure of the portfolio since we made the changes in March 2014
 - **All of the existing funds have significantly beaten their peer group index (Morningstar Moderate Allocation Index) over the 8- and 10-year time periods, which offers a glimpse of how they have performed over a full-market cycle.** The 3- and 5-year performance periods only offer an “up market” horizon; thus, we have been counseling Trustees to focus on the 8- and 10-year periods.

Recommendations

- Re-Balance to the Target Asset Allocation

Disclosures

Investments and services offered through Morgan Stanley Smith Barney LLC, member SIPC

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